Exhibit 4

to

Memorandum of Law in Support of Defendant's Motion to Dismiss Complaint Filed by TreeHouse Foods, Inc.

Seeking Alpha α

Green Mountain Coffee Roasters' CEO Discusses F1Q 2014 Results - Earnings Call Transcript

Executives

Suzanne DuLong - Vice President, Investor Relations and Corporate Communications

Brian Kelley - President and Chief Executive Officer

Fran Rathke - Chief Financial Officer

Analysts

Bryan Spillane - Bank of America Merrill Lynch

Bill Chappell - SunTrust

Akshay Jagdale - KeyBanc

Matthew DiFrisco - Buckingham Research

Scott Van Winkle - Canaccord Genuity

Mark Astrachan - Stifel

Brian Holland - Consumer Edge Research

Jonathan Feeney - Janney

Phil Terpolilli - Longbow Research

Jon Andersen - William Blair

Mitchell Pinheiro - Imperial Capital

Greg McKinley - Dougherty

Marc Riddick - Williams Capital

Green Mountain Coffee Roasters, Inc. (GMCR) F1Q 2014 Earnings Conference Call February 5, 2014 5:00 PM ET

Operator

Good afternoon and welcome to the Green Mountain Coffee Roasters Incorporated Fiscal 2014 First Quarter Conference Call. Today's call is being recorded. At this time, I would like to turn the call over to the company's Vice President of Investor Relations and Corporate Communications, Suzanne DuLong. Suzanne, please go ahead.

Suzanne DuLong

Thank you, Brendon, and welcome, everyone. Today's press release is available on our website at gmcr.com. Our Form 10-Q for the period will be filed shortly if it hasn't already and also will be available on our website.

On today's call Brian Kelley, our President and CEO will provide some brief introductory remarks. Fran Rathke, our CFO will discuss aspects of the quarter's financial results as well as our outlook for our current quarter and fiscal year 2014. Brian will provide some additional commentary about the business. We will then open the call to questions from the sell-side analysts. To ensure that we have the opportunity to address everyone's question during

the time we have allotted for this call, we ask that you limit yourself to one question. We will revisit the queue for follow-up questions.

Finally, I will remind everyone that certain statements will be made today which are forward-looking within the meanings of securities laws. Owing to the uncertainties of forward-looking statements, our actual results may differ materially from anything projected in these forward-looking statements. We can give no assurance as to the accuracy and we assume no obligation to update them. For further information on risks and uncertainties, please read the company's SEC filings and the paragraph in today's press release that begins with the word "certain information."

And now, I will turn the call over to Brian Kelley.

Brian Kelley

Thanks, Suzanne and good afternoon everyone. We will quickly get to our first quarter results, but prior to that I am very excited to discuss our new long-term agreement with the world's largest beverage company, the Coca-Cola Company to develop and globally launch our upcoming Keurig Cold system. We have spoken before about our conviction that with disruptive innovation, Keurig can do for cold beverages what we have done for hot coffee and tea at home, that is give consumers a convenient way to quickly produce their favorite cold beverage brands at the push of a button.

Today's agreement combines the unparalleled strength of the Coca-Cola portfolio of global beverage brands and distribution systems with the breakthrough technology of our new Keurig Cold system. We are confident that our complementary assets will deliver a superior premium in-home cold beverage experience for consumers globally. Let me briefly recap the details of the agreement and the benefits we see for GMCR's shareholders, customers, supplier partners, employees and other stakeholders. We have signed a 10-year commercial and strategic collaboration agreement that gives us access to Coke's beverage brands in the U.S. and in more than 200 countries around the world.

Importantly, this partnership also brings the benefit of Coke's significant R&D, technology, sales, marketing and distribution strengths. In an effort to ensure the long-term interest of both companies, are tightly aligned, Coke is acquiring a minority equity position of 10% in GMCR. Over the little last six or seven years, we have experienced the truly remarkable growth of our Keurig system for hot beverages as it has changed the way consumers brew coffee at home. And we are still in the very early stages of that growth both here in the U.S. and around the world.

With the announcement of today's partnership with Coke, we are embarking on an exciting new journey to successfully introduce a second disruptive global platform for our company, a cold beverage system to further diversify our portfolio, materially expand the addressable marketplace opportunity for us and enhance the long-term growth of our company. As with our hot system, we will have multiple brands and multiple partners in our Cold system over time to offer the world's finest cold beverages to Keurig consumers. Opportunities as large and attractive as this are rare. So everyone involved in this partnership is very excited about the future.

We are still in the very early days of a broad movement that is empowering consumers to change the way they purchase, prepare and customize beverages in their home and the Keurig brewing system technology is leading this evolution. Having the Coca-Cola Company as our partner and collaborator in this effort will certainly amplify and accelerate this consumer momentum. We will continue to provide update on Keurig Cold as progress warrants, but we will now focus the remainder of our comments today on our first quarter results and our near-term outlook.

So on to our Q1 2014 results, for the first quarter of fiscal 2014, we delivered 4% net sales growth delivered by 12% portion pack volume growth and 4% brewer volume growth. This revenue growth was within our guidance range despite a challenging holiday season for many retailers. Importantly, we had a very successful holiday for brewer sales selling a record 5.1 million Keurig brewers in the quarter. Brewer growth in are away from home non-retail channels was very strong. As we are beginning to see our focus on these channels yield real results. Headwinds from our accessories and bagged coffee business lowered our total revenue growth rate by 120 basis points in the quarter. In addition our Canadian business unit declined 6% compared to last year, five points of which can be attributed to unfavorable currency exchange rates.

We grew gross profit by 11% in the quarter, a 220 basis point improvement versus last year and grew non-GAAP operating profit by a healthy 22% with operating margins expanding 270 basis points to 17.2%. Given last year's first quarter comparisons we are very pleased with the portion pack and brewer volume growth, our solid gross margin

progress and our strong SG&A controls, all of which drove our 26% non-GAAP earnings growth. Importantly Keurig brewers point-of-sale was very strong in the quarter, growing significantly faster than our shipment volumes which bodes well for installed base growth and for future pack consumption.

We entered the second quarter in an appropriate retail inventory position for both brewers and portion packs. The balance sheet remains very strong with a net cash position of $90 million at the end of the quarter. We generated $212 million of free cash flow in the quarter and free cash flow to productivity remains strong at 154% of GAAP net income. Last quarter, I highlighted three key transitions we will be executing in 2014. The transition to our new Keurig 2.0 brewers, the transition to portion packs that are compatible with those 2.0 brewers and the transition of unlicensed brands into authorized brands in the Keurig system. We have made excellent progress on all three transitions and I will speak to each of them and a few other items later in the call.

Before I turn it over to Fran, I want thank our partners, our customers, suppliers and our GMCR team for their valuable contributions to this quarter's results and just as importantly for all the hard work underway to make these important transitions successful as we prepare for our new innovation to hit later this year.

Over to you Fran.

Fran Rathke

Thanks Brian and hello everyone. For the quarter we delivered total revenue of $1.4 billion, representing 4% revenue growth. Despite the tough retail environment we had a strong holiday quarter. Of the total 5.1 million Keurig brewers sold in the period GMCR sold 4.9 million units. We estimate at home brewer point-of-sale across all U.S. channels was up 21% in the quarter. Looking regionally for the quarter our U.S. business delivered 5% revenue growth while our Canadian business declined 6%, five points of which is attributable to unfavorable currency and one point due to competitive brewer pricing in the region.

Moving to review of gross profit for the quarter, gross profit improved 220 basis points to 33.5% from 31.3%. Favorable green coffee costs contributed 390 basis points improvement in the quarter. Also of note price realization adversely affected Q1's gross profit by approximately 140 basis points.

Now turning over to operating results, for the quarter SG&A was roughly flat with last year, reflecting an increase of $7.2 million in R&D and innovation-related expenses that are tied to our new product pipeline partially offset by a decrease of $6.7 million in marketing and sales-related expenses. As planned, we increased our trade promotion spending with the goal of driving portion pack and brewer volume and reduced our variable marketing spending. As a percentage of sales, SG&A decreased to 17.1% in the first quarter of fiscal 2014 from 17.7% in the prior year period. During the first quarter we incurred net foreign currency losses of approximately $10.6 million as compared to net losses of $2.7 million during the prior year period. Our Q1 non-GAAP EPS of $0.96 represents a 26% increase over last year's non-GAAP EPS of $0.76.

Looking now at our cash flow and the balance sheet, our balance sheet remains extremely strong with positive net cash of $90 million and gross cash of $350 million which provides plenty of flexibility to continue to invest behind our key growth initiatives as well as return cash to shareholders. Free cash flow of $212 million was solid at 154% of GAAP net income. We continue to make good progress on inventories which were a $206 million source of cash this quarter. We expect inventories to grow as we approach new product introductions, prepare to rollout SAP and replenish some lower-than-expected inventories for certain products. We did see an increase of $125 million in accounts payable and accrued expenses. One-third of the increase is from incentive compensation and two-thirds of the increase is timing of accounts payable.

Capital investment was $61 million in the quarter and we expect the rate of investment to accelerate quarter by quarter this year as we prepare for new product introductions in our SAP implementation. On the previously authorized share repurchase plans, during the fiscal first quarter, we repurchased 1.7 million shares for $122.5 million. From its inception in August 2012 through the end of the first quarter, we have purchased approximately 10.5 million shares at an average share price of $36.92 for a total of $387 million.

And now I will turn the call back over to Brian.

Brian Kelley

Thanks, Fran. Let me address the three important transitions that we highlighted last quarter. The first is the

introduction of our new Keurig 2.0 hot system in the transition of brewers associated with that. The second is the launch of our new interactive portion packs and enable Keurig 2.0 features and functionality. And the third, our ongoing successful efforts to convert unlicensed packs to license partners.

First, on the introduction to Keurig 2.0 and the transition, we are hitting all of the necessary milestones and are currently on track to deliver Keurig 2.0 as planned later this year. We have very strong endorsement from consumer research and our retail customers that Keurig 2.0 is a breakthrough that will greatly broaden the appeal of our Keurig system. We were pleased to unveil the system's new carafe functionality last week, making 2.0 the first Keurig brewer to brew both the single cup and a full carafe. Current Keurig brewer owners and non-owners alike told us the brewer functionality they wanted most was the ability to brew both the single-serving and a pot of coffee from one system with Keurig's speed, convenience and brand choice.

Keurig 2.0 delivers on that, all while continuing to do everything it does for consumers today at the same brewer price points with all 49 of the owned, licensed and partner brands and all of their varieties that are in the Keurig system today. 25% of Keurig users today have told us that they use another brewer of some kind during the typical week in their home. 25% of Keurig users have told us that and then we know that on average about 75% of the household's coffee consumption when a Keurig goes into a home is done by Keurig. In other words, we get about 75% of that household's coffee consumption in the home. Most of that other 25% is at household brewing a pot of coffee, the old-fashioned way, because they can't do it today in a Keurig. That's the consumption we want. And with Keurig 2.0, we believe we now have an excellent chance of getting it.

Our new K-Carafe packs will brew roughly four cups of coffee into a specially designed carafe. And these K-Carafe portion packs will only operate in the new Keurig 2.0 brewers. We use proprietary interactive capabilities, so that the brewer can identify the inserted Keurig pack, whether it's a K-Cup, a Vue, or a K-Carafe pack and brew it optimally every time. This product truly is a breakthrough and it resulted from the close collaboration of our beverage and brewer engineering teams who made significant advancements in roasting and flavor extraction, thermodynamics and software design in order to deliver this new innovation.

To reiterate, all of the 49 owned, licensed partner and private label brands and the morning than 200 varieties of coffees and teas and cocoas that exist today in our Keurig system will continue to be offered in our Keurig 2.0 system. Importantly, we believe this is a breakthrough innovation to our hot system that we believe will drive a higher attachment rate per brewer. That means driving volume for both us and our customers a higher dollar ring for our customers and better profit dollars for both us and our partners. We are working closely with our customers across all channels to ensure a smooth transition to Keurig 2.0 as we jointly plan our 2014 holiday advertising and merchandising.

Next, let me comment on our transition to our new interactive readable portion packs. We achieved a significant milestone in January with the first customer shipments of our new interactive enabled packs. These new packs which incorporate new lid graphics and our proprietary interactive technology are beginning to appear in stores. We are transitioning to a new packs throughout our manufacturing system and we anticipate being on track to completely transition retailer on shelf inventory by late 2014.

Finally, the third transition we are executing is the conversion of unlicensed players into licensed Keurig system partners. Across all channels, we estimate that unlicensed packs represented a 14% share of the Keurig system as of the end of our first quarter. Consistent with our remarks last quarter, we expect unlicensed share of the system to grow through first half of fiscal year '14 and then begin to decline in the second half and thereafter. However, if we look at unlicensed trend since October and while certainly there is variability week to week system wide. Unlicensed share growth has slowed from October to November to December. Our conversion efforts have been successful thus far, including converting a number of large, midsize and small partners across channels and geographies. In fact during the first quarter we converted several additional formally unlicensed players to licensed Keurig system participants. All of these recent converts as well as some prior converted brands will begin shipping in the second half of our fiscal year. And we expect we will be able to disclose at least some of them at that point. And we expect to continue to make progress in our discussions with many of the other unlicensed participants over the next 12 to 18 months as Keurig 2.0 is introduced.

Even with the excitement of today's announcement with the Coca-Cola Company, executing these three transitions with rigor. The transition to Keurig 2.0 brewers, the transition to Keurig 2.0 portion packs and the conversion of unlicensed players into licensed and authorized Keurig players remain the most important priorities for our team in 2014. We will not take our eye off these three important transitions. As we mentioned last quarter the timing of how

these transitions impact our quarter-to-quarter results is difficult to precisely forecast. We are making solid progress and we look forward to updating you as we move through year.

Not surprisingly, given all of the new single serve entries and the excitement around the category in the coffee aisle at retail. The portion pack category remains competitive, but in the context of current commodity cost deflation, we believe that pricing environment remains rational. We will remain price competitive in the marketplace and we plan to use promotional programming to strike the appropriate balance of volume, share and profits across our brand portfolio.

Now, we have discussed before that the away-from-home channel is a growth opportunity for us, for the quarter our away-from-home brewer volumes was up significantly year-over-year. And let me share what's driving that robust growth. In the quarter we secured a number of hospitality, college and university wins as well as wins at major sports stadiums, offices and workplace placements. And we continue to expand our food service footprint across the U.S. and across Canada. And finally we are on track to launch Keurig Brewers in the UK away-from-home channel during our second quarter. And in fact yesterday I got the first brewer orders in the UK. As we said before we expect our international efforts to be a slow build and not material to our fiscal year 2014.

Let me pass the call back to Fran for our outlook.

Fran Rathke

Thanks Brian. As noted in the press release we are reaffirming the outlook for our underlying business for fiscal year 2014. We expect net sales growth in the high-single digits over fiscal year 2013 with stronger sales growth in the second half of the year as the number of currently unlicensed packs, are transitioned to licensed partners. We expect an annual effective tax rate of 37%. Our non-GAAP earnings per diluted share estimate of $3.75 to $3.85. This excludes the approximately 5% dilutive impact of the Coca-Cola Company's purchases of shares, absent any actions the company may take to offset dilution. This includes an $0.11 headwind from foreign currency exchange, about $0.10 greater than anticipated on our last quarterly call. It also excludes amortization of identifiable intangibles related to the company's acquisitions, any acquisition-related transaction expenses and legal and accounting expenses related to the SEC increase and the company's pending securities and stockholder derivative class action litigation.

On a currency neutral basis and excluding the dilutive impact from the Coca-Cola Company's purchase of shares, absent any actions, the company may take to offset dilution, underlying earnings per share growth is projected to increase 14% to 17% over the prior year period. We also expect free cash flow in the range of $200 million to $300 million and capital investment in the range of $400 million and $450 million primarily to fund new system introductions. For the second quarter of fiscal year 2014, we expect net sales growth of low to mid-single digits over the second quarter of fiscal year 2013 due to year-over-year portion packs sale comparison, the impact of unlicensed packs and currency headwind in Canada. Our second quarter non-GAAP earnings per diluted share in a range of $0.93 to $0.98, this excludes the approximately 4% dilutive impact of the Coca-Cola's purchase of shares, absent of any actions the company may take to offset dilution. It includes $0.05 headwind from foreign currency exchange. It also excludes the amortization of identifiable intangibles related to the company's acquisitions and legal and accounting expenses related to the SEC inquiry and the company's pending securities and stockholder derivative class action litigation.

On a currency neutral basis and excluding the dilutive impact from the Coca Cola Company's purchase of shares absent any action the company may take to offset dilution, underlying earnings growth is projected to increase 5% to 11% over the prior year period. We typically don't give guidance for next year this early, but given the transformative nature of this transaction I'd offer the following. First, we expect incremental investment in our Keurig Cold platform in fiscal 2015 as we accelerate and broaden our global growth plan. Second, the Coca-Cola Investment itself will cause dilution even with an aggressive plan to repurchase shares. Therefore if our underlying business grows at our mid-teens EPS growth rate and you deducted equity dilution and some extra investment spending, we believe mid-single digit earnings growth in fiscal 2015 is reasonable at this time. The advantages we gain from partnering with the world's largest beverage company are transformative as we discussed today. And we believe we will position – it will position us to return to our long-term double-digit earnings growth rate in fiscal 2016 and strongly position us for sustainable profitability over the next decade.

With that I will pass the call back to Brian to wrap up.

Brian Kelley

Thanks Fran. In conclusion, we continue to believe our unique combination of deep technology and beverage expertise is a significant competitive advantage. We are excited about the opportunity to leverage these inherent advantages, while continually improving the operations of our company. And we are excited about today's announcement of our cold beverage partnership with Coca-Cola. We look forward to seeing many of you CAGNY later this month. And we thank you for the support of our company.

We will now take questions from the phone.

Question-and-Answer Session

Operator

Thank you. (Operator Instructions) And we will go first to Bryan Spillane with Bank of America Merrill Lynch.

Bryan Spillane - Bank of America Merrill Lynch

Hi, good afternoon and congratulations.

Brian Kelley

Thanks Bryan.

Fran Rathke

Thanks Bryan.

Bryan Spillane - Bank of America Merrill Lynch

So, I wanted to ask a little bit more just about the cold drink relationship with Coke and so just a couple of parts to my question. I guess the first. I mean this evening we have created a couple of billion dollars worth of value just on that announcement. And I guess it wasn't clear to me in the release whether or not you have agreed with Coke at all on what the financial terms will be. So I am not even so much asking you what they are, it will be great to know if we knew, but do you at this point have a framework for just how the economics would work?

Brian Kelley

Brian we do. We signed a – obviously we won't go through them in detail and we don't share them, but we have signed a commercial agreement that details that and we have an equity agreement and that commercial is a 10-year global agreement.

Bryan Spillane - Bank of America Merrill Lynch

Okay.

Brian Kelley

And so yes, we do have the construct for those economics.

Bryan Spillane - Bank of America Merrill Lynch

And then in terms of the sharing of technology, you have got patents filed for the equipment, your cold drink equipment or the cold system, so do you – is there going to be some sharing of technology patents on both equipment and the manufacture of portion packs or will it just be product based?

Brian Kelley

Well, we obviously have patents. Coke has technology and I am sure patents, I don't know, but what we will do is we will manufacture the pods and the brewers like we do in the hot system. In fact, it will work very similar to a hot system nearly identically. We will manufacture and design the brewers and the portion packs. We will partner with the world's best brands and bring them into our system and we will collaborate with them to build the Keurig Cold system, just like we have the Keurig Hot system. And what we have learned though in building this hot system, it's most powerful when you get the best brands in. And when you get the best brands that consumers love, the system

wins. And that's what we will do. It will be a multi-branded system with multiple partners and we know that convenience, a fresh beverage perfectly brewed every time that gives the consumer-wide varieties what they want and that's what this collaboration will bring. So their IP is their IP, our IP is our IP. And that's the way it will work. We both – we really have assets that are complementary together.

Bryan Spillane - Bank of America Merrill Lynch

Okay. And then finally just how long did it take for this to come together?

Brian Kelley

We don't – we were not going to go through that. You can imagine we have been, it was a thorough discussion with significant diligence on both sides.

Bryan Spillane - Bank of America Merrill Lynch

Okay, thank you.

Fran Rathke

Thanks Bryan.

Operator

Next, we will go to Bill Chappell with SunTrust.

Bill Chappell - SunTrust

Hi, good afternoon and congratulations.

Brian Kelley

Hi, Bill. Thanks.

Fran Rathke

Thanks Bill.

Bill Chappell - SunTrust

So just, Brian, just kind of following up on the last one, I mean, can you give us an idea and why just how you came up with the equity transaction and why give – why was it important to have a 10% ownership for Coke versus just a straight partnership like you have had with Starbucks on the hot side? And how did – maybe any insight on how you came up with 10% versus 5% versus 20% in terms of what it means long-term to the business?

Brian Kelley

Well, most importantly, it's all about aligned interests and that's what the basis of this was the commercial agreement is certainly the most important piece that is the equity piece of this, the equity agreements about aligning long-term interest. We, as I said before, we view the two companies. We really believe we have complementary assets and we have different areas of expertise. And by working together, we can make this thing really a very, very large platform for us. And so in terms of the size of the equity stake and those things, we think all are appropriate the signal what I just said, which is the alignment of interest and we are both very pleased and we think it's a mutually beneficial deal for both parties.

Bill Chappell - SunTrust

Okay. And I will get back into queue.

Brian Kelley

Thanks.

Operator

And next we will go to Akshay Jagdale with KeyBanc.

Akshay Jagdale - KeyBanc

Hi. Good afternoon and congratulations on the deal.

Brian Kelley

Thank you, Akshay.

Akshay Jagdale - KeyBanc

So just following up on the cold platform, I am sure some of the questions we are going to field are going to be around the economics. Can you give us some sense of the framework you have used here from what I see it seems like the capital investment you are making in the cold platform is quite accelerated relative to what we saw on the hot platform. So it seems like you are pretty excited about it and obviously Coke signing on this early reaffirms that belief I guess. But can you just give us a sense of how we should think about the economics of the deals you are pursuing under the cold platform? Is it more capital intensive and should it – should we just be thinking over time invested capital framework that you have talked about in the past or just some sense of the returns around a large partnership like the one you just announced?

Brian Kelley

Yes. Well, couple of things, Akshay. So, first I would say that the capital intensity of this platform versus our hot platform isn't different, much different at all. The hot platform occurred over a number of years. And obviously we are in a very different position today in terms of the strength of our brand, in terms of presence of the brand in homes. There is 18 million plus homes out there today that have Keurig brand in it, they have the Keurig brewer in it. So we have built in base of consumers. And so we want to be able to start and ramp up as slowly and nor do we want to ramp up this slowly with the cold system as the hot system.

Now that said, so in total while we don't expect to capital investment, if you think of North America to North America basis, obviously it's different if it expands beyond global. Over time that is going to be shortened – truncated into shorter years and a fewer years, but it's a very good return, it's a very – it's a strong economic prospect for us. And we are not going into the details necessarily or the CapEx and we are at early days obviously in the cold system. But we think that we have a line of sight to a very, very high return business.

Akshay Jagdale - KeyBanc

Okay and just in terms of negotiating leverage, people always think that big brands is where in the value is retained, but it seems going in. Am I reading this correctly and that Coca-Cola is going to exclusive with Green Mountain on cold beverage single serve. So to me that tells me that they are being exclusive to you, but can sign on other brands. Is that the right way to think about it?

Brian Kelley

It is, it's although it's we are going to bring on the best brands. There are many, many cold brands in North America and in the system and obviously we can't bring on every brand at once. We want to bring on the biggest and the best brands and that will take a little bit of time as we cycle through it. But what you stated is accurate and that's the way the platform has worked in hot and that's the way the platform will work in cold and it's because that's what the consumer wants. The consumer wants their favorite beverage brands and they want them at the push of a button.

Akshay Jagdale - KeyBanc

Okay. And just on the hot beverage side, you made some comments on signing non-licensed to converting non-license to license that work incrementally positive to what you have said previously. Can you give us some sense of what that would imply in terms of market share that you could get back, is it in the 0% fact 0% to 5% grains and then 5% to 10% range. Can you – you are getting closer and closer seems like to getting up something more definitive but and little fact can you help us, I mean your signing these brag brands? And people are waiting for some retailers to sign on. I feel like it's just the timing issue. Can you give us something to in terms of quantification help us around

those comments you may?

Brian Kelley

Yes, I know everybody wants to know and have us quantify it. Here is the reality. The reality is we are confident and our confidence has increased that over time we're going to win a significant portion of unlicensed packs. We will for a variety of reasons because the 2.0 system is terrific we know that our partners and unlicensed partners many of them want to get into the system we are welcoming into the system. What's really hard to give you a specific number and to predict as timing particularly when virtually all of the unlicensed packs have a partner out there today as you all know. And so they are having somebody who is manufacturing it for them and the timing that we would announce it and the timing we sign a deal and the timing of those pods shipping is really – it's hard to perfectly predict. And so we will give you specificity as we have it. I will just say that we're more confident today then we were last time which added and we will continue to gain that confidence. Our retailers have been very, very supportive and we have very good indication that we are going to continue to win more unlicensed packs. Sorry, we are not going to give you more specifics than that, but that's where we stand.

Akshay Jagdale - KeyBanc

Just one last one on the hot beverage obvious you had a press release earlier last week about new benefit. I get a feeling that there is more to come in terms of interactive technology and the benefit it can provide. One is that true and can you give us a little more insights into what you think might need to the attachment rate increasing as a result of this new brewer? Thanks.

Brian Kelley

It's a great question. Let me talk first about the benefit we just announced. The reality is when you talk and we have we do a lot to current Keurig owners and you ask them if you could do anything to Keurig differently what would it be? First thing they tell us is let us brew a pot of coffee with it. Is there a way to make a Keurig that can make a pot of coffee for us? And when you ask them like because they say periodically, I need a pot I don't just see a single cup. But when you do this pot of coffee, I wanted to be as simple as you have the Keurig single cup. I want to be able to put a pod in the machine and push a button. And so that's what we have delivered. They told us another thing though they told us that when I make a big pot of coffee, 8 or 9 cups, I throw most of it away. What I typically drink is about four cups or my family drinks four cups, there is two of us, we each want two. And so don't make it so big that I waste coffee. And so we have what we think is the perfect craft size. It's what the Keurig consumer has told us they want. And so we have – we are solving the number one issue, Keurig consumers have when we ask them why aren't you using it all the time? I want a pod based stability to make a pot of coffee. And I want the pod to be made as simply and as easily as the single cup and importantly I want the brand choice that you have in single cup. And so that's what we will deliver. Now, that's Keurig owners.

When you talk to consumers who have yet to buy a Keurig and they have – they own a coffee pot and you ask them what's single biggest reason you haven't bought a Keurig yet and if you exclude price from the answer, the single biggest reason is that it doesn't brew a pot of coffee. And so we now have a machine that will deliver everything the current machine delivers, exactly as it delivers and we continue to make enhancements and improvement in every way, but it delivers exactly what the current K-Cup user loves and it also delivers a pot of coffee. And it does it with all the brands we offer today, with all the varieties we offer today, it does it with the ease and simplicity. Yes, there are other features and benefits and we will share those later when we are ready to describe them.

Akshay Jagdale - KeyBanc

Thanks. I will get back in queue.

Brian Kelley

Thanks, Akshay.

Operator

Next, we will go to Matthew DiFrisco with Buckingham Research.

Matthew DiFrisco - Buckingham Research

Thank you. I had a question with respect to retail distribution of the 2.0 in the brewing system. I had this question I think before the call, but obviously with this announcement, the cold has dominated for very good reason. So I have a question on that also just a clarification. But for the brewing system, the 2.0, you said a couple of times now that you have had great reception from the retail community and that you I guess don't expect to see a meaningful change in that retail distribution. There has been some speculation that there are some large retailers that might not carry it, because it might not support their private label brand. Do you see any meaningful national players that have told you that they would not carry the 2.0 or do you think that the 2.0 would have a more narrow retail footprint of distribution than what you currently have today with the 1.0?

Brian Kelley

No. We expect and we have – but first, I want to make sure that you understand one part, because there is maybe perhaps everybody doesn't understand this. This is the Keurig system. This will be the Keurig system and so it's replacing the current Keurig system that's out there. And so this is the Keurig system that all retailers would carry Keurig today will carry going forward. And it does everything the current Keurig does plus more. And so it's – if you imagine the footprint of retailers we have today that is very likely to be the footprint of retailers we have tomorrow. It may be – it may grow a little bit, but I wouldn't expect that. I would expect the very same footprint to exist and then they will have a new Keurig. It will be called Keurig 2.0 instead of – we don't call it Keurig 1.0, but the original Keurig. This will replace the original Keurig. And remember, because it does everything the current Keurig does plus it brews a carafe of coffee. And so that's what the consumer wants who owns a Keurig, that's what the consumer wants who doesn't yet own a Keurig. We think this adds and builds attachment rate in current Keurig owner side and it brings new owners into the system, new Keurig users into the system who often brew a pot of coffee. So I want – that's – hopefully that's clear.

Matthew DiFrisco - Buckingham Research

That's extremely clear and appreciated. On a follow-up on the cold side, Akshay was mentioning how it sort of looks like you might be going a little faster with the investment. I guess, can we look at this also as far as how you bring it to market? Is it going to be your brand equities in the U.S., so this is going to be leveraged Keurig brand equity or could we think of it as you have got a global major national player here in Coca-Cola? This isn't Starbucks or Dunkin' Donuts that has a significant domestic position. This is a global brand. Could we see you potentially launch this rapidly on an international stage as well, and not just sort of go after the soda stream community, and go for a much larger global presence across the board?

Brian Kelley

Well, first is again it's early days, we will launch as we've mentioned in our fiscal year 2015 and I'll just mention a couple of things. First, like our hot system, this will have brands of the Coca-Cola Company as we've announced, it will have brands on other companies as we announce them and they come in. It will have brands that we have and we created. It will have consumer variety. It will have the variety of brands and beverages and categories that consumers love, and so it will have all the variety of the consumer want, that's the very most important thing they told us in fact this came from consumer insight when we had some what is it you want from Keurig, the first thing they told us is we want you to do for hot beverages and for cold beverages, what you've done for hot beverages. We want to be able and may literally told us, we want to be able to put a pod in, push a button and get a Coke or they named their other favorite brand. And we expect to have a variety of brands in the system just like we have for the hot system.

Now in terms of our plans to go global and all of those other things we certainly will overtime, but that planning has to be done, we have to work fairly through it. We've been very successful in North America going global is not a trivial issue obviously is one that we'll carefully consider and we'll wise and smart as we go, certainly having a company like Coca-Cola or company with their brand presence in distribution strength gives us that opportunity, it give that opportunity as we look in the hot beverage system we have great partners like Starbucks who has a global presence we have Dunkin' who has a global presence. We have a number of other very strong partners that have global presence if you look at the Folgers brand globally if you look at what Smucker's has done with that brand, if you look at Lavazza. We have a number of global partners in the hot side that can really help us globalize as well in the hot system, but it will be smart will be careful and will be wise with our investment.

Matthew DiFrisco - Buckingham Research

Is the Coca-Cola alliance also crossing over into the brewing side? I know they do have some coffee equity in some

Asian markets as well. So, would that be a potential?

Brian Kelley

Well, this is all about the cold beverage platform and that's what we've – that the agreement we're talking about today and so we'll leave at that for today, I think that's enough at this stage.

Matthew DiFrisco - Buckingham Research

Thank you.

Brian Kelley

Thank you.

Operator

And next we'll go to Scott Van Winkle with Canaccord Genuity.

Scott Van Winkle - Canaccord Genuity

Hi, thanks, congratulations from here as well.

Brian Kelley

Thank you, Scott.

Fran Rathke

Thanks, Scott.

Scott Van Winkle - Canaccord Genuity

First, following up on the 2.0, you're launching later this year. It's replacing the entire system. How long does it take for every Keurig brewer to be on a retail shelf to be a 2.0 versus the original?

Brian Kelley

Probably 18 months after launch. It might be – it could be a little sooner than that, a little slower than that, but it roughly, I'd say 18 months after launch. You can never perfectly predicted, but that's probably has got a pretty good estimate.

Scott Van Winkle - Canaccord Genuity

Do your license partners come along with you, the Mr. Coffees of the world?

Brian Kelley

We're working with that and we certainly want them to and we expect they will.

Scott Van Winkle - Canaccord Genuity

And then if I could also ask a cold question, obviously the big difference between cold and hot is that three quarters of homes had a coffeemaker when Keurig was starting out and one or so percent have a soda machine. Do you envision a price point that can facilitate rapid adoption of that cold beverage system?

Brian Kelley

Yeah, we know what works in terms of brewer pricing and in terms of pod pricing. What we also know is that it's – it is best for everyone including the consumer to premiumize categories, and so we want to offer a premium solution for consumers in the home and we've often talked about the fact that the strength of Keurig and the power of Keurig and really the coming of age of Keurig has been because so many of these premium experiences outside the home have come into the home and this is a really unique one for consumers. Consumers are consuming a large number of cold

beverages in their home every day and if we can do it in a fun in a fresh in a sustainable way that with the best brands and partner with the best brands that have these terrific brands out there like with Coke we think we have an opportunity that's very large. Obviously again we are at the very early stages of this but that's the vision.

Scott Van Winkle - Canaccord Genuity

Thank you very much. Congrats.

Brian Kelley

Thanks Scott.

Fran Rathke

Thanks Scott.

Operator

And we will go next to Mark Astrachan with Stifel.

Mark Astrachan - Stifel

Yes, thanks and good afternoon. I wanted to follow-up to a previous question did Coke demand exclusivity for this cold system?

Brian Kelley

Did Coke demand exclusivity, no.

Mark Astrachan - Stifel

Okay so...

Brian Kelley

Coke understands the power of the Keurig system is to have multiple brands in it. And they support that.

Mark Astrachan - Stifel

Okay and from a distribution standpoint will Coke bottlers potentially participate in doing that?

Brian Kelley

That's really for Coke to decide.

Mark Astrachan - Stifel

Okay. And then shifting over to the coffee platform could you talk a bit about for you the economics from a profitability standpoint in the quarter maybe just sort of talk about directionally where they have come from and where you start to anticipate them going?

Brian Kelley

Mark could you - I am sorry I missed the – you want economics on what part?

Mark Astrachan - Stifel

On the pods in the coffee system, I am trying to get a sense of per unit coffee?

Fran Rathke

Yes, I would just say in terms of as we have noted on the last probably a few quarters that we have increased our trade spend on as you saw that was about I think it was around 140 points or so drag on the margin. So on some of that this quarter was coming both from we did some promotions on the brewer side. And that was quite successful.

And then in addition we are being very competitive out in the marketplace so that's affecting the overall profitability of the portion packs. But nothing that we are alarmed about or concerned about, we are very comfortable with where we are with the overall profitability of the portion packs.

Brian Kelley

I would add Mark that it's we see very rational pricing out there. We have – well yes, it's competitive given the coffee commodity costs, it's actually very rational. We see consumers and retailers expect the premium are paying it. Ultimately over time we want to make this as available and accessible to as many households as we can and so we are going to always look at how do we keep brewer costs lower and pod costs lower to make it more accessible to more households and more families particularly in tough economic times. And that's what we will continue to do .But we are pleased with the pod economics and we are very, very pleased with the retail holiday season we had this quarter.

Mark Astrachan - Stifel

Thank you.

Brian Kelley

Thanks Mark.

Operator

(Operator Instructions) And next we will go to Brian Holland with Consumer Edge Research.

Brian Holland - Consumer Edge Research

Thanks and congratulations everyone.

Brian Kelley

Thanks Brian.

Brian Holland - Consumer Edge Research

So when I am looking at brewer sell through and it appears as though there was a strong response to and you correct me if I am wrong, unprecedented promotion this holiday season, I am speaking specifically seeing reservoir brewers discounted under $100 can you help me think about that in terms of your margins for instances, our underlying margins for brewer is getting better and you are simply reinvesting in that to drive adoption, are you taking an incremental margin hit for that promotion?

Fran Rathke

Brian, it's Fran. We did help to fund on the promotions whether coupon programs at some of our large retailers or general promotions. So that did slightly affect the margin this quarter for the brewers. But a lot of times when we initiated promotion the retailers get behind it and also support our fund part of the promotion.

Brian Kelley

And we wanted to get into the – we wanted to make sure we entered this holiday season like a lot of CPG companies and appliance companies no one was sure how strong the holiday would be, we wanted to drive excitement through a couple of things. We did color. We did new college brewers. We did a lot of unique things. In addition to putting some promotions out there that we thought were unique and aggressive in some cases, but very, very rational still. What we have got is we ended up with a record holiday season selling brewers for the quarter and we are pleased.

Brian Holland - Consumer Edge Research

Sure. And then just a quick follow-up on to that, K-Cups the volume growth was light relative to and obviously I am just speaking to my model, relative to what I was seeing in the IRI. So, I'm curious your comments on the non-measured channels, specialty retail internet, whatever this quarter and how that's shaped out, if it was disappointing or not, and what you saw there, on an unlicensed side as well?

Brian Kelley

Yes, we are – we mentioned on license that it hit 14% this quarter at the end of the quarter, it was about 14% across all channels across all the marketplaces we serve and so when we look at that and as I mentioned that went down in October to November to December. Now, one month or two months or three months, there is – that doesn't necessarily make a trend and we want to continue to watch that and we're doing the right things rationally to make sure that we're competitive in the market, but ultimately is about converting in license players to coming to our system. And so if you talk about the growth or portion packs, while it's obviously slowed versus where it was a year ago at this time before on license packs came into the system in a big way. We expect that we knew that and that's what – that's really what pull down the growth rate versus the year ago, but again we plan for that and expected it and we're still – we see upside again as we continue to convert unlicensed packs.

Brian Holland - Consumer Edge Research

Great, thank you.

Brian Kelley

Thank you.

Operator

Next, we'll go to Jonathan Feeney with Janney.

Jonathan Feeney - Janney

Hello, thanks very much.

Brian Kelley

Hello, Jonathan.

Jonathan Feeney - Janney

Hi, just two details quickly. I'm sorry if I'm a little bit thick here. First, presumably at some time in 18 months, there will be no further current generation Keurig brewers for sale. Is that correct, Brian?

Brian Kelley

No, no, from the time we ship, we started shipping the 2.0, and I don't want to say zero, I would say that someone asked earlier how long will take, I think Scott asked, how long will take before you have no brewers on the shelf, and I said roughly 18 months, it could be a little longer than or little shorter, but it's 18 months in the time we start shipping 2.0 brewers. So, hopefully that gives you an indication.

Jonathan Feeney - Janney

That's a very clear indication, thank you. I just wanted to hear it straight. Secondly, on the Keurig cold side, Coca-Cola not having exclusivity in the system, does that include their largest national competitor that has blue trucks?

Brian Kelley

Well, we're not going to talk about any other brands, we – we'll tell you as we just like in the hot system we never talked about future partners or other partners we don't talk about anything other than the fact that our intention is to have a multi-branded, multi-partner platform and we will have that and so we have a number of other companies and partner brands that were discussing with in overtime when those are ready to come in, we'll announce that.

Jonathan Feeney - Janney

Thanks. Is it fair to say there are none specifically excluded by this agreement?

Brian Kelley

We won't even talk about that for the Keurig system. The Keurig system will also have the decision who we bring in

and that was important and we'll bring in the best brands and we will bring in brands that really is what consumers want, that's what made the Keurig hot system so powerful.

Jonathan Feeney - Janney

I got you, thank you. Finally on the pricing side, it seems like as leader in this industry facing some new competition over the past year, you've been or maybe you extended price points down, and you've had a cost commodity or cost tailwinds, but maybe a little bit more solicitous of volume than trying to absolutely protect and maximize margin. As the second half of this year, you expect license share to flow perhaps, unlicensed share to decline a little bit. When can we expect a change to this promotional behavior?

Brian Kelley

Actually I'd first I'll tell you that as we look at our promotional behavior, we will probably notice that we've sequenced and segmented where we promote, which brands we promote, most of the promotion is done in some of the value base or mass price brands. We have a whole range of tiers of brands and we are doing different levels of promotion with each tier so, it's a very smart effective promotion plan. We have and you've noticed we have shifted with the natural win we had a 100% of the system, and all of a sudden we have 86% of the system something like that. We shifted a little bit from marketing spend against the consumer to trade spend to ensure that we get the consumer trial of the new brands, particularly as the unlicensed pods came in and remember they came in at mostly 15% to 25% lower prices. And I think you would look and see that we have done while some price reduction, our pricing has held up quite well. And as I said, it's been rationale. And what's helped that is the tiers of brands that we offer. So we have brands – value based brands like Eight O'Clock coffee and Diedrich's brand that we own and a number of other brands and partners all the way to the high end brands, the super premium brands, our partner, Starbucks. We have amazing partners and they are giving the consumer a broad portfolio to choose from.

Jonathan Feeney - Janney

It makes prefect sense. Thank you.

Brian Kelley

Thank you.

Fran Rathke

Thank you, Jon.

Brian Kelley

I will say one thing, Scott you asked it and it was asked a little earlier, when I say the conversion will be in 18 months, we have an away from home channel that will still have away from home brewers and they are not so I don't – we are talking about the retail channel when I am answering the question I want to make sure that's clear. So there is going to be away from home brewers that you might say are 1.0 brewers and those are still going to be in place. Okay.

Operator

And we will go next to Phil Terpolilli with Longbow Research.

Phil Terpolilli - Longbow Research

Hi, yes afternoon. Congratulations.

Brian Kelley

Thank you.

Phil Terpolilli - Longbow Research

Just two quick questions. I think this was asked about the last few questions, but the unlicensed share growth you mentioned it slowed from October to November to December. I was just curious what you are seeing in terms of

actual share on the shelves at retailers, if you feel like that's slowing as well and with the pending 2.0 system coming, if retailers are maybe changing the way that they are thinking about unlicensed?

Brian Kelley

I think, I think if you got and talk to the retailers like we are talking to all them, they are changing and each of them has their own strategy in dynamics as to how they are going to play this. In general, it's a very, very dynamic environment. And so anything we'd say broadly may not apply to one retailer or another. And so I would just say this again that over time we are confident that the unlicensed players that are playing today as we welcome them into the system, we think many and most will come. Now, we can't predict exactly the timing and we can't predict how that impacts quarter-to-quarter, but we know if we offer innovation, if we offer consumers these brands and the pods that they want from single cup to carafe pods, that's what's driving consumer choice. We also know as we said a few times that our brands, our partners' brands, the license brands that are authorized in our system have a higher repurchase rate. And I think we are starting to see some of that as well.

Phil Terpolilli - Longbow Research

Okay, that's very helpful. And then maybe just one quick follow-up if I could, the K-Carafe, do you have any sense right now what the pricing will be on that?

Brian Kelley

We are not ready to announce pricing, but you can imagine, it will be a good deal for consumers and it will be a high margin for our retail customers.

Phil Terpolilli - Longbow Research

Okay, great. Thank you.

Fran Rathke

Thank you.

Brian Kelley

Thank you.

Operator

Next, we will go to Jon Andersen with William Blair.

Jon Andersen - William Blair

Good afternoon and congratulations.

Brian Kelley

Thanks Jon.

Jon Andersen - William Blair

First question is on cold. A few years ago, I know Green Mountain acquired a number of coffee roasters and obviously has its own brand, so you have kind of a portfolio on the hot side of partnered and owned brands. When you think about cold in the portfolio, on the cold and carbonated side, do you envision that as an exclusively kind of partnered or licensed brand model or might you develop your own or acquire smaller brands that you develop in the future?

Brian Kelley

We are developing our own brands and we have developed our own brands that will go into the cold system as well. It's not necessary for us to acquire brands, cold brands. There are many cold programs out there, but we think between the partners we have certainly when you start with the Coca-Cola Company as a partner, you bring a whole portfolio of terrific brands. The brands we create will bring other partners in which you will see. We historically have

had great success with brands we have built. You can see in our own hot system, we have been very, very successful at building brands. We have mentioned a couple of times, a number of times that the Keurig system is a very unique and new way to build brands. And so it doesn't exactly replicate the share that you might see on retail shelves in the beverage category like coffee. And so we have the ability to bring in partners to create our own brand. And so that's the strategy we'll use and it's – it's unlike I'll mention one other thing the Green Mountain Coffee Company has become very quickly a beverage company, Green Mountain Beverage Company. And so we have – we've moved from having deep, deep expertise in coffee which we still have to broader expertise across a number of beverages which now include cold beverages. And so we have an infrastructure, we have the business with beverage experts and that started in their base in coffee and now we can expand that base to other beverages and that's what we're doing.

Jon Andersen - William Blair

Okay. And then on Keurig 2.0 if you think about kind of the existing installed base for the current or base platform and rolling out 2.0 over the next 18, 24 months. Is there value in trying to promote the upgrade cycle or accelerate the upgrade cycle in your mind or are you going to go with more kind of a slow migration over time? Just wondering how you're thinking about that and if there is leverage you might pull to implement or try and accelerate an upgrade cycle? Thanks.

Brian Kelley

Great question. There is real value in us accelerating current Keurig owners to convert to 2.0 owners. In fact most of them have told us if you give me a machine that makes a part of coffee in a single cup it's a great reason to trade up and they wouldn't – they'd be trading up in benefits without trading up in price. And so we look at that kind of opportunity as a big, big opportunity, and it obviously then the speed at which that happens determines the speed at which this system converts.

Jon Andersen - William Blair

Thanks, Brian. Congratulations again.

Brian Kelley

Thank you.

Fran Rathke

Thank you.

Operator

Next we'll go to Mitchell Pinheiro with Imperial Capital.

Mitchell Pinheiro - Imperial Capital

Yes, hey, good evening. A couple of quick questions. First on the cold side, could you frame how big is the U.S. at home carbonated soft drink market in either dollars or servings?

Brian Kelley

I'm going to give you a number that's probably not accurate. So I think just probably somebody better to give you a number on that. I would – it's big, cold beverages are some four to five times as high as the hot beverages is the way to look at it globally and it's probably just that same in the U.S. and in North America. So maybe that's a good rule of thumb.

Mitchell Pinheiro - Imperial Capital

Okay. And then in terms of would you ever consider merging the cold with the hot platform to provide like a beverage center as opposed to two separate appliances?

Brian Kelley

Certainly in our innovation plan that would be something we look at over the long-term. Most consumers – there is this combination of having an affordable price point for the appliance and yet having one machine it does it all. And if you look at the spectrum of a kitchen having five appliances one for hot beverages, one for cold, one for alcoholic beverages, one for other beverages, its not likely consumers want that, but on the other hand they don't necessarily want, they told us one machine it does them all because they don't trust that it does each of them with perfection, they don't believe that you can get the perfect brewed coffee or the perfect brewed soda unless you have a machine is distinct. So our platform strategy that is now played out is we will have a hot system and a cold system and we believe that's in our work that's what consumers want and that's the best way to balance those two factors. Could we over time offer a very expensive machine relative to what we price it that today that can do multiple perhaps, but that's certainly not in the short term.

Mitchell Pinheiro - Imperial Capital

And is the cold platform - will the capsules be environmentally friendly?

Brian Kelley

Yes, it was.

Mitchell Pinheiro - Imperial Capital

Okay. And then the final one the hot – okay on the hot side, the gross margin didn't include any productivity savings in this quarter. I was wondering if it was - is it more in the selling and operating expense line or why wouldn't we see some benefit of productivity?

Brian Kelley

We actually did get productivity and I know..

Fran Rathke

Mitch, this is Fran. It is we did - it's netted in our table in the press release in other, but we're on track for the year overall for about $70 million for the year on.

Brian Kelley

I'd tell you where we got it this quarter is in productivity in – again in the manufacturing of pods we continue to get more productive. Bob and the team are doing a terrific job in bringing operational efficiency.

Mitchell Pinheiro - Imperial Capital

Okay. Thank you very much. Congratulations.

Brian Kelley

Thank you.

Fran Rathke

Thanks, Mitch.

Operator

Next we'll go to Greg McKinley with Dougherty.

Greg McKinley - Dougherty

Yes. Thank you.

Brian Kelley

Hi, Greg.

Greg McKinley - Dougherty

Good evening. So I guess one of the things I was wondering if you could shed a little light on as you're taking with perspective partners about coming into the 2.0 system. Can you compare and contrast how partners perhaps in different channels are looking at the partnership in terms of what they need from you and what they're able to offer back by that I mean grocers versus mass merchants. It strikes me that perhaps a mass merchant who has retail programs around small home appliances as well as the consumables might have greater vested interest in pursuing a partnership whereas someone who is simply out there selling private label portion packs it might be more difficult to bridge that gap until perhaps they see 2.0 really taking root in people's homes. Is there any color you can provide around how the conversations with different types of prospective partners play out?

Brian Kelley

Yes. First of all that dynamic does exist. Each retailer and it's..

Fran Rathke

Yes.

Brian Kelley

Not even necessarily by channel which is much by retailer themselves. The strategy they have in the business they are in. Retailers, it's fairly obvious that retailers itself both appliances and brewers in significant portion are the retailers that are really, really strong in the Keurig system. They know how to merchandise a joint merchandise the brewer and the portion packs, they get repeat traffic, they get the volume from the portion packs they get the excitement of buying the brewer they – so they really understand how this system works. Many grocers are really stepping and changing their view of the brewer business because historically we've not been in grocery for a long time. We've been in grocery only a couple of years and that's mostly portion packs because they typically get the trips, they get the traffic. And some grocers are getting more and more into the fact that if they can do both brewers and portion packs that's a win for them. And on the other hand customers who historically were not in consumable business, a happy opportunity to draw real traffic to their store with these consumables. So I think it's the strategy of that retailer, each ones are applying their strategy to the Keurig system and I think we'll continue to see that evolution and we want all of them to be strong on Keurig.

Greg McKinley - Dougherty

Yes. And with that said are you feeling like you're going to have an opportunity to convert partners across those different strata sooner rather than later or would you expect to see some of the ones that don't have historical experience selling brewers maybe that's a period of time out in the future or are you already seeing traction with those discussions as well?

Brian Kelley

We're getting some traction in all fields. And so I wouldn't say that it's more or less in one or another, I think that's – I think grocery has more embedded private label relationships than some of the other channels. And so some of those are more embedded meaning longer term contracts and things like that but in some it's not, some are shorter term. So it's a – it really is about the customer and less about the channel.

Greg McKinley - Dougherty

Yes, okay. Thank you. And then maybe just two sort of housekeeping items, how far out are you bought on coffee and I know you are – I think you're almost entirely through fiscal 2014 but I'm wondering if you can comment on that? And then the second question we actually saw year-over-year expense dollar declines in your selling and operating expense line item and more modest growth in G&A. Is that the type of – is that sort of setting the stage for how we should think about operating expense and infrastructure investments in the remainder of the year, I know you talked about a need for maybe increased investments with cold, but we did see a real I think moderation in level of expense growth?

Brian Kelley

Right. Fran Rathke just take it?

Fran Rathke

It is quick, Greg. So for this year we noted on the call that we have for this year we're 100% locked. And we've got – we've done quite a bit in 15 on – but we didn't give out a specific percentage, but on – we obviously are keenly aware of focusing on the coffee input cost for next year.

Greg McKinley - Dougherty

Okay. So you bought a fair amount, go ahead.

Fran Rathke

Yes. We have definitely bought in quite a bit for '15 as well.

Greg McKinley - Dougherty

Okay.

Brian Kelley

On your cost structure question, we – you did see quite a moderation in costs, but really it is a shift in where we are investing. We are investing heavily in R&D. We continue to grow in the R&D costs. We know that's where our competitive advantage lie, that's where the innovation comes from, and that's where we continue to invest. We are getting smarter and smarter as we have merged the two companies and we can get the synergies that come with. We are – we have great talent here that can expand. And so we will grow SG&A, but as we see unlicensed packs and we knew we have the slowdown in growth a little bit that we are seeing will continue to moderate cost until we – until we are growing at the rapid pace that we want to be growing again and then we will begin to invest again in SG&A, but that's really not where value gets added. Value gets added in the innovation portion of SG&A. Value gets added to marketing dollars that can convince consumers why these are the products for them and we will continue to invest in those.

Greg McKinley - Dougherty

Yes, okay. Alright, thank you.

Brian Kelley

Thank you.

Fran Rathke

Thanks Greg.

Operator

We will go next to Marc Riddick with Williams Capital.

Marc Riddick - Williams Capital

Hi, good evening and congratulations.

Brian Kelley

Thanks Marc.

Marc Riddick - Williams Capital

I wanted to start on some of the branding spending that was done in the quarter leading into the holidays, the new commercials and things of that nature, certainly that seemed to be very positive and given the record brewer sales during the holidays, a very difficult holiday season. So I was wondering if you could spend a moment as far as some of the takeaways that you got from some of those branding efforts and what maybe we could see going forward that might follow-up on that? And then a couple of follow-ups.

Brian Kelley

I think what you saw in the quarter and what you will continue to see is really what Lori and her team and John and her team are doing to focus on a couple of key things from a marketing standpoint. One is the power to Keurig system and the power to Keurig brand and you are going to see that is the focus. The second trend you are going to see is more and more geographic, geographic activation and local activation, where the consumer can try and sample and taste and use the product in an environment that's fun and all of a sudden, they can see the opportunity to quickly get one in their home, but as we have said a number of times, we started as a New England company. We are quite strong in New England and we have lots of room to grow in New England still, but we are at half and one-third in some cases the levels in other parts of the country. So we still have enormous growth potential in our hot beverage system around the country. So that's the second trend. And I think the third trend is we are much, much more focused if you ask the brand teams what we are working on, Lori and her team, are really branding a portfolio of beverages and the Keurig systems. It's about focusing on the joy that the consumer has with the Keurig system and we have got a terrific new ad agency we are working with is it's really we think, we think sharpened our marketing message and brought a Chris message to the consumer and we think it paid off in the fourth quarter.

Marc Riddick - Williams Capital

Next, I wanted to ask about the – my question I ask every quarter about Eight O'Clock coffee sort of where we are now as far as national distribution, ACV and then one last follow-up?

Brian Kelley

Eight O'Clock is performing very, very well for us. It's a great brand that is a high-quality yet priced at a great value. ACV is somewhere in the two-thirds 65%, 70%. And we think it can go higher. So, the coffee in Eight O'Clock is terrific. It's high quality and consumers get a great value when they buy it.

Marc Riddick - Williams Capital

Excellent. And then one last thing, it was interesting as far as the packs during the quarter I guess it was 8% growth during the quarter. I was wondering if you could share a bit as far as the cadence monthly and if there was any differences from the standpoint of weather, because it seems as though if I recall during Starbucks' call, they had mentioned how strong the month of December had been for them. I am not sure if that's a weather event or not, but I was wondering if you could shed a little light as far as the growth year-over-year by month for the packs? Thank you.

Brian Kelley

Well, we don't – it's public information the IRI data and the Nielsen data that comes out. As far as weather goes, we don't really track it or see it, maybe some day we will, but we don't. And in general, we know that certainly seasonally in the winter months, we get significant increase in coffee and cocoa and hot tea, but I don't – I wouldn't be able to say that weather had a big impact on us. And it's still maybe not a mature enough business to see that impact when we look at weather. There is still so many other variables in our business before we talk about weather.

Marc Riddick - Williams Capital

Okay, once again, congratulations. Thank you very much.

Brian Kelley

Thank you.

Operator

And that concludes our question-and-answer session. I would like to turn the call back to our presenters for any additional or closing remarks.

Brian Kelley

Well, with that, I'd like to thank all of you for joining us today and for your continued support of our company. And we again look forward to seeing many of you at CAGNY in late February and at the Housewares Show in mid-March. Thank you again.

Operator

And that concludes today's call. Thank you all for your participation.

Green Mountain Coffee Roasters, Inc. (GMCR) F1Q 2014 Earnings Conference Call February 5, 2014 5:00 PM ET

Operator

Good afternoon and welcome to the Green Mountain Coffee Roasters Incorporated Fiscal 2014 First Quarter Conference Call. Today's call is being recorded. At this time, I would like to turn the call over to the company's Vice President of Investor Relations and Corporate Communications, Suzanne DuLong. Suzanne, please go ahead.

Suzanne DuLong - Vice President, Investor Relations and Corporate Communications

Thank you, Brendon, and welcome, everyone. Today's press release is available on our website at gmcr.com. Our Form 10-Q for the period will be filed shortly if it hasn't already and also will be available on our website.

On today's call Brian Kelley, our President and CEO will provide some brief introductory remarks. Fran Rathke, our CFO will discuss aspects of the quarter's financial results as well as our outlook for our current quarter and fiscal year 2014. Brian will provide some additional commentary about the business. We will then open the call to questions from the sell-side analysts. To ensure that we have the opportunity to address everyone's question during the time we have allotted for this call, we ask that you limit yourself to one question. We will revisit the queue for follow-up questions.

Finally, I will remind everyone that certain statements will be made today which are forward-looking within the meanings of securities laws. Owing to the uncertainties of forward-looking statements, our actual results may differ materially from anything projected in these forward-looking statements. We can give no assurance as to the accuracy and we assume no obligation to update them. For further information on risks and uncertainties, please read the company's SEC filings and the paragraph in today's press release that begins with the word "certain information."

And now, I will turn the call over to Brian Kelley.

Brian Kelley - President and Chief Executive Officer

Thanks, Suzanne and good afternoon everyone. We will quickly get to our first quarter results, but prior to that I am very excited to discuss our new long-term agreement with the world's largest beverage company, the Coca-Cola Company to develop and globally launch our upcoming Keurig Cold system. We have spoken before about our conviction that with disruptive innovation, Keurig can do for cold beverages what we have done for hot coffee and tea at home, that is give consumers a convenient way to quickly produce their favorite cold beverage brands at the push of a button.

Today's agreement combines the unparalleled strength of the Coca-Cola portfolio of global beverage brands and

distribution systems with the breakthrough technology of our new Keurig Cold system. We are confident that our complementary assets will deliver a superior premium in-home cold beverage experience for consumers globally. Let me briefly recap the details of the agreement and the benefits we see for GMCR's shareholders, customers, supplier partners, employees and other stakeholders. We have signed a 10-year commercial and strategic collaboration agreement that gives us access to Coke's beverage brands in the U.S. and in more than 200 countries around the world.

Importantly, this partnership also brings the benefit of Coke's significant R&D, technology, sales, marketing and distribution strengths. In an effort to ensure the long-term interest of both companies, are tightly aligned, Coke is acquiring a minority equity position of 10% in GMCR. Over the little last six or seven years, we have experienced the truly remarkable growth of our Keurig system for hot beverages as it has changed the way consumers brew coffee at home. And we are still in the very early stages of that growth both here in the U.S. and around the world.